SHRI GURUDAS DAS GUPTA: I cannot force. How can I say that? You are the Finance Minister; how can I force you?

SHRI YASHWANT SINHA: As far as Mr. Harshad Mehta is concerned, his licence for trading in the stock market as a broker stands cancelled. The case to which the hon. member has referred does not result from his trading in the market, but it results from some people trading at his behest. That matter is still under inquiry by the SEBI. We still have to get the final report.

As far as DRTA is concerned, it is true that there have been some vacancies. The vacancies are filled up by Judicial officers. If somebody is promoted, there is a vacancy. We are in touch with the authorities so that these are filled up as quickly as possible and the DRT all over the country function effectively.

Financing of Equity Shortfall of Large Projects by FIs

*222. SHRI DIPANKAR MUKHERJEE:
SHRI NILOTPAL BASU:

Will the Minister of FINANCE be pleased to state:

(a) whether Government's attention has been drawn to the news-item captioned "FIs to finance equity shortfall of large projects" which appeared in the "Business Standard" dated 9th September, 1998;

(b) if so, whether the same policy would be followed for public sector projects where loans can turn into non-performing assets if implementation is delayed due to shortfall in equity funding; and

(c) if not, the reasons therefor;

† The question was actually asked on the floor of the House by Shri Dipankar Mukherjee.

THE MINISTER OF STATE IN THE MINISTRY OF FINANCE, BANKING, REVENUE AND INSURANCE (SHRI KADAMBUR M.R. JANARTHANAN): (a) to (c) A statement is laid on the Table of the House.

Statement

(a) Yes, Sir. Industrial Development Bank of India (IDBI) has reported that decision for providing financial assistance to individual cases is based on the merits and viability of proposals. In respect of already assisted large projects, Financial Institutions (FIs) consider proposals for providing additional need based financial support in the form of equity or other forms of assistance so as to prevent the investments already made in such projects from becoming infructuous and save the financial stake of the institutions. The need, extent and the form of assistance in each case would be determined on the basis of the promoters willingness and capacity to increase their own contribution, the physical progress achieved in implementation of the project and the funds tied up from other sources to meet the shortfall in equity arising out of the company's inability to raise equity capital due to depressed capital market conditions. FIs in such cases invariably ensure that after taking into account the revised means of finance, especially additional funding by the FIs, the projects would continue to meet the viability norms and be able to service the equity loan.

(b) FIs do not make any distinction between private and public sector projects for providing such need based additional assistance, so long as they are in the category of already-assisted units of the institutions and satisfy the various aspects mentioned in (a) above.

(c) Does not arise.

DR. GOPALRAO VITHALRAO PATIL: Sir, we want half-an-hour discussion on this question.

MR. CHAIRMAN: Kindly give a notice for that.

SHRI DIPANKAR MUKHERJEE: Sir, kindly look at the question. The thrust of the question has been diluted, somehow or other. The question itself says; financing equity shortfall of large projects. In the news item which I had referred to, the IDBI Chairman's statement specifically states that the equity shortfall will be met, after due diligence, only to the corporates whose projects are already on stream. But the hon. Minister in his reply in line no. 6 says: "...need based financial support in the form of equity or other forms of assistance." I do not understand why these words 'other forms of assistance' are being added to the reply, when my query was specifically to the filling the gap in the equity; not other forms of assistance. I do not understand why this has been pushed here into the reply. Reply to my query is supposed to be only on the equity; not on other forms of assistance.

So, my first Supplementary is whether the Government is thinking of any other terms of assistance and not equity because, by giving equity, instead of giving loans, these promoters of the projects will not be accountable. Why not loans? Does it mean that to any prospective L P; holder, you are going to give assistance in the form of equity for which there is no accountability from the promoter? The Minister may clarify this. By mixing this the Government is trying to dilute the issue. Why not loans? Why equity? And not other forms of assistance. This is my first question.

THE MINISTER OF FINANCE (SHRI YASHWANT SINHA): As far as the reply to the question is concerned, we are just trying to be above board and share the information with the House.

The Government does not take decisions in these matters. It is for the financial institutions to take decisions in individual cases. The financial institutions, while taking decisions in individual cases, look at the debt-equity ratio, look at the debt-equity service coverage, look at the various parameters of financial liability and it is their commercial judgement whether it should be a loan or equity or what kind of assistance should be given to the institutions. Sitting here in the Minister in Delhi or in the Government, we will not substitute our commercial judgment for their commercial judgment in individual cases.

SHRI ASHOK MITRA: I am sorry. You would allow scandals at the Unit Trust of India to be perpetrated and you would not do anything. Is that the criterion? What have you to say on that?

SHRI YASHWANT SINHA: Absolutely not, Sir. As this point had been raised, I would like to point out that we discussed the question of UTI in the House. Whatever I had to say in regard to the UTI, I had said at that time. I once again say, with all the emphasis at my command, that there is no scandal in the UTI.

SHRI ASHOK MITRA: It was going on for years, without any parallel.

SHRI DIPANKAR MUKHERJEE: Sir, if it is the commercial judgment of the IDBI and if we are not supposed to discuss it in Parliament, then I do not know why this question had been admitted. Money obtained through the Flexi Bonds and owned by the IDBI is the public money. IDBI is the trustee of the public money. It is not the commercial judgment which is beyond question and it is not that we cannot question that. My questions were regarding equity and loan. Whenever loan is given, the borrower has to repay. When the loan is not given, it is the equity. These are new policy decisions. As a trustee of that fond, Parliament has got every right to question this type of bailing out the promoters, whose projects are unfinished.

My second supplementary is whether the Government of India—I again say the Government India—will check how these projects were assessed by the IDBI institutions. Sir, when a project is being finalised, formally the basic criterion is

project cost and the financing pattern so that a debt-equity ratio of at least 2:1 is maintained. If that be so, if there is an escalation, the promoter has to bring in additional funds. I would like to know from the hon. Finance Minister whether this was ensured. If this was ensured, the question of equity funding, parking of funds does not arise. The project assessment by the institutions was all wrong. We have got every right to put a question. Why did they give equity? Why couldn't they maintain the equity ratio if there was an escalation of cost in 7 or 8 projects? I don't want to name them, the non-proven projects. Why has it not been assessed whether the promoter has got the power, has got the capability to bring in additional funds when there is an escalation because of certain reasons? How could the IDBI come in? How could the public money go there? On the one hand, you are disinvesting the shares of public sector undertakings, and, on the other the IDBI is going to invest there. You also say that it is a commercial judgment. I do not know what is happening in this country.

SHRI YASHWANT SINHA: Sir, the matter is very simple. If the hon. Member is unable to understand it, I will try with all the clarity that is at my command, to make him kindly understand the situation. I never questioned the authority of Parliament. If the authority of Parliament was in question, then, this question would not have been admitted. The simple point which I made was that these financial institutions receive applications, they consider these applications. They decide on the merits of each application. For loan, for equity, for working capital, for everything, all kind of assistance is decided by the authorised committees, by the boards of these public financial institutions. I would reiterate, it is not the intention of the Government to interfere with their functioning on a day-to-day basis and replace their commercial judgment with our judgment here in Delhi or in the Ministry. That is the position which is very clear. Now, if there are individual cases, I would also like to point out that the same statute to which the hon. Member referred namely, the IDBI Act, section 29 of the Act relates to secrecy and fidelity. That prevents me from disclosing individual cases. If the Member has any information in regard to any wrong doing, in regard to a specific case, I can sit down with him and discuss. But I don't think under the IDBI Act, it will be proper for us to take up individual cases for discussion here. It will serve no purpose.

SHRI NILOTPAL BASU: Mr. Chairman, Sir, at the very outset, I concede that it is a very simple matter. We also understand that simplicity. We are on a different wave length. The thrust of our question is on a premise which obviously the Finance Minister doesn't share with us. We do not grudge him for that. But the point is, our commonsense tells that public sector companies in the infrastructure sector with a proven track-record do not get funds, do not get preference over dubious entities. This has been proved by the facts shared by the Minister that he has to go in for additional equity subscription. This is part (a) of my question. Part (b) is : I would like to know from the Minister whether he proposes to reinvest the money that the Government will get from the disinvestment of shares of the public sector undertakings to finance some of the projects.

SHRI YASHWANT SINHA: Mr. Chairman, Sir, as far as the all-India financial institutions are concerned, in regard to deployment of their funds, the manner of deployment of their funds, there could be a fundamental difference of approach between us and the hon. Members sitting there.

I do not know how they would like to manage the whole thing, because no specific suggestions have come from them. But as far the question of financing of private sector projects is concerned, I would like to reiterate that it is their

judgment. I have absolutely no information at my command to suspect that this judgment is faulty, this is any kind of....

SHRI NILOTPAL BASU: Initially the financing pattern was approved by the bank. ..*(Interruptions)*..

SHRI YASHWANT SINHA: When I am interrupted like this, I cannot answer.

SHRI NILOTPAL BASU: Then, why is this additional equity subscription?

SHRI YASHWANT SINHA: If this is the way you want to carry on, let us have a conversation outside the House. Sir, the simple point I am making is, ...*(Interruptions)*.

MR. CHAIRMAN: Let him reply, please.

SHRI YASHWANT SINHA: The all-India financial institutions have come to a certain judgment in regard to certain units in the private sector which might have, for various reasons, run into temporary problems. And if they have come to the conclusion, by looking at the debt-equity ratio, that if they contributed to the equity in various forms--it could be fully convertible debentures, it could be optionally fully convertible. ....*(Interruptions)*. Sir, this is not the way in which I can answer.

MR. CHAIRMAN: Please, let him speak.

SHRI YASHWANT SINHA: Sir, the simple point I am making is, once again, whether it should be debt or it should be equity, whether it should be this kind of equity or that kind of equity, is a judgment which must be left to be made by the financial institutions. And I must repeatedly assert that it is not the intention of the Government to substitute their judgment with our judgment.

As far as the second point about the public sector is concerned, I am not aware of a single case of a public sector undertaking which could have remained unnecessarily, unduly, pending with a financial institution. I have the figures here which suggest that the financial institutions have been as forthcoming to assist the public sector as they have been in the case of the private sector. *(Interruptions)*. There is absolutely no question of any doubt. *(Interruptions)*.

MR. CHAIRMAN: Next question. Mr. Solipeta Ramachandra Reddy.

Sub-Committee on Modernisation of Textile Industry

*223. SHRI SOLIPETA RAMACHANDRA REDDY: Will the Minister of TEXTILES be plesed to state:

(a) whether the Cabinet Committee on Economic Affairs has constituted a sub-committee to formulate Rs. 25,000 crore technology upgradation fund to modernise the textile industry;

(b) if so, whether the aforesaid sub-committee has submitted its report; and

(c) if so, the main recommendations of the sub-committee?

THE MINISTER OF TEXTILES (SHRI KASHIRAM RANA): (a) to (c) A Statement is laid on the Table of the House.

Statement

(a) to (c) The Cabinet Committee on Economic Affairs (CCEA) considered a proposal of Ministry of Textiles for launching of Technology Upgradation fund Scheme for textile and jute industries on 28.10.98 for modernisation and technological upgradation with a view to enhancing their viability and competitiveness. It was decided by the Committee that the matter be considered by a Group of Ministers (GOM) and that the recommendations be brought up before the CCEA. GOM has inter alia recommended that the proposals of Ministry of Textiles be approved on aspects like interest incentives to be provided, sectors eligible, nodal financial institutions etc. It has further